GEORGIA REVENUE QUARTERLY

Zell Miller, Governor

T. Jerry Jackson, Commissioner

ELEC. FILING: GEORGIA NO. 3

ATLANTA—A thirty percent increase in electronically filed income tax returns compared to one year ago, has enabled Georgia to finish No. 3 nationwide in the 1998 Joint Fed/State Electronic Filing Program.

"The Department of Revenue is gratified by the public's continued acceptance of electronic filing," said DOR Commissioner T. Jerry Jackson. "This is the third year that electronic filing has been available in Georgia, and for the third consecutive year we have finished among the top five states nationwide."

One of thirty-four participating states in the Joint Fed/State Electronic Filing Program in conjunction with the Internal Revenue Service, to qualify to file their 1997 Georgia income tax return electronically, taxpayers were required to: 1) Be a full-year Georgia resident; 2) File a refund-only Georgia return; 3) File both their Federal and Georgia returns simultaneously (i.e., with one electronic transmission); and 4) File their returns using an approved Electronic Returns Originator (ERO).

As of July 1, following are the top five participating states, by number of electronic returns filed, according to IRS Joint Fed/State Program statistics: 1. New York 563,649; 2. North Carolina 539,106; **3. Georgia 486,444**; 4. Michigan 425,379; 5. South Carolina 415,102.

STATE SALES TAX ON GROCERIES WILL BE ELIMINATED OCTOBER 1

ATLANTA—Effective October 1, 1998, with the removal of the final one cent, the four percent State sales tax will be abolished on the retail sale of all eligible food and beverage products purchased for off-premises consumption.

The removal of the final one cent represents the culmination of a three-part phase-in that began October 1, 1996, when the first two cents was lopped off. On October 1, 1997, another one cent —the third— was dropped.

The elimination of State sales tax on food was a key legislative initiative of Governor Zell Miller that resulted in the passage of House Bill 265 by the 1996 session of the General Assembly.

The applicable rate of state and local taxes on eligible food and beverage in counties with varying sales tax rates will be as follows on October 1, 1998 (please see chart):

County Rate of Tax	Tax Rate
7% County (except DeKalb & Taliaferro)	3%
6% County	2%
5% County	1%
4% County	0%

Currently, the only local option taxes which are not imposed on eligible food and beverage products are the Homestead Local Option Sales Tax (HOST) imposed in DeKalb County and the Local Option Sales Tax (LOST) in Taliaferro County. The food and beverage exemption applied to the Homestead Local Option Sales Tax effective July 1, 1998, while Taliaferro County's Local Option Sales Tax exemption on food and beverage will take effect on October 1, 1998.

The sale or use of food for "off-premises" human consumption, as defined by the federal Food Stamp Act, includes food that is a staple product for "home consumption" (meat, poultry, bread, milk, candy, canned soft drinks, etc.). It does not include alcoholic beverages, tobacco products, items sold hot or intended to be heated at a store, immediate consumption products (fountain drinks), vitamins and minerals. The food exemption does not include sales made by vending machines or seeds and plants used to grow food.

"Because the rate drop on October 1 will represent the last phase in a three-year implementation to abolish the State sales tax on food, the Department of Revenue wants to be certain that all dealers and retailers are aware of this final one cent reduction," said DOR Commissioner T. Jerry Jackson. "We invite anyone who has questions about this important change in sales tax law to call the Sales and Use Tax Division at (404) 656-4060, or their nearest DOR Regional Office."

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COMMISSIONER'S LETTER

During the past sixteen months, the Department of Revenue has made a concerted effort to improve our level of service.

For taxpayers who are far removed from our headquarters building in downtown Atlanta, perhaps the most visible, and far-reaching example, of our efforts to serve taxpayers is represented by the eleven DOR Regional Offices located throughout Georgia. A key part of our Field Services Division, the Department has regional offices located in Albany, Athens, Augusta, Columbus, Douglas, Lithia Springs, Macon, Morrow, Rome, Savannah, and Tucker. Not only can these field offices answer any question over the phone (thus sparing the taxpayer a long-distance call to Atlanta), they can also accommodate taxpayer "walk-in" traffic. During Fiscal Year 1998 (which ended on June 30), according to Fred D. White, Director of the Field Services Division, the Regional Offices handled over 429,500 telephone calls from taxpayers, and assisted more than 92,200 taxpayers in person. Those are impressive statistics, indeed.

Additionally, the Regional Offices conduct taxpayer education seminars and workshops to assist taxpayers in developing a better understanding of tax law. They also examine taxpayer registrations, monitor compliance with filing deadlines and, utilizing a total of 211 agents, collect outstanding (delinquent) taxpayer accounts.

Perhaps the Department's most popular customer service device has been the implementation of our DOR Worldwide Website. As of its "second birthday" on July 1, the Website had registered in excess of 215,000 "hits" from interested visitors. This can be attributed to its always-expanding and timely menu of information. Whether your inquiry concerns Income Tax, Sales Tax, Property Tax, Motor Vehicle, or press releases announcing our monthly collections (to name just a few examples), our Website is always active, always evolving.

If you have not yet visited our Website, I invite you to take a "test drive" twenty-four hours a day at http://www2.state.ga.us/Departments/DOR/. We stand ready to put our best "customer service foot" forward.

Very truly yours,

T. Jerry Jackson
Commissioner

STATE LEVY ON FOOD ABOLISHED

(Continued from page 1)

The four percent state sales tax, and all applicable local county taxes, will continue to be collected on the sale of food sold for "on-premises" or immediate consumption — for example, food served in a restaurant, coffee shop, cafeteria, taverns, food carts, luncheonettes or vending machines. It will also apply to the sale of hot foods, alcoholic beverages and tobacco products, as well as on other items commonly available in grocery stores such as napkins, laundry detergents, vitamins and pet foods.

Purchases of eligible food and beverage for home consumption that are made with food stamps or WIC Coupons will continue to be exempt from all state and local county sales and use taxes.

MANAGED AUDITS A SUCCESS

By DAVID COPHER

The Central Audit Division instituted a managed audit program in June 1997, and after the completion of its first year has been pleased with the results.

Patterned after the State of Ohio's successful managed audit program, the Division has targeted small to medium-sized companies who were audited previously, resulting in minimal liabilities and issues (deemed to be questionable items of law) requiring resolution.

The managed audit is a hybrid of a self-audit and the traditional audit conducted by the tax specialist. It involves the same basic procedures as the traditional audit, with the taxpayer agreeing to participate in examination of records. The Division provides written audit instructions and ongoing consultation, with the taxpayer performing the detailed audit work subject to review by the tax specialist.

Once completed, the Division verifies the results before accepting it, with a resolution agreement signed by both the taxpayer and the Division upon completion and acceptance. The resolution and payment of any liability closes the audit period and accompanying issues — in the absence of fraud, malfeasance, misrepresentation of fact, concealment, or erroneous mathematical calculations.

The managed audit program has proven advantageous to both the taxpayer and the Division. The advantages for the taxpayer include: taxpayer education; enhanced future compliance; guidance from the Division; establishment of an ongoing, non-adversarial relationship with the Division; experience with the audit process; control of the audit in that it is conducted at the leisure of the taxpayer within an agreed upon time frame (normally 90 days or less); and time efficiencies as the taxpayer does not have to train the tax specialist about internal

(See Managed on page 7)

Y2K PROJECT CONTINUES 'ON TRACK'

With the calendar advancing steadily toward January 1, 2000, the Department of Revenue's "Year 2000 Project Team" continues to make steady progress to ensure that all DOR computer applications will be Year 2000 compliant.

During the past twelve months, the Department has added over 100 consultants to augment its existing Information Systems Division (ISD) and Motor Vehicle Division staff in order to accommodate the additional workload. As well, it has contracted with a Year 2000 remediation factory to assist in implementing programming changes to several of the Department's integrated tax applications.

The "mission critical" nature of the Department's tax processing systems, and its infrastructure, is underscored further by the fact that the DOR collects in excess of $13 billion annually to fund the operations of state government. Thus, it is easy to understand why the scope of the Year 2000 effort is clearly a top DOR priority — and why its importance cannot be understated.

Meeting the Mandate

"In conjunction with Governor Miller's mandate to all state agencies, the Department of Revenue not only has a capable Y2K Plan in place, we have the necessary funding from the General Assembly for it to succeed," said DOR Commissioner T. Jerry Jackson. "We are also in full compliance with the Governor's directive that all agencies develop and have ready a workable 'backup plan' in case one is needed."

The crux of the Year 2000 "problem" is based upon the reality that current computer programming language cannot currently distinguish a "00" (denoting 1900) from a "00" denoting 2000. Exacerbating this dilemma is that the new millennium (read: 2000) is also the very first "leap year" in the computer age that is divisible by 400. Thus, computer programs/systems that do not have a built-in "update" for this leap year calculation will neither recognize that February 29, 2000, is a valid date, nor calculate properly the days of the week for dates after February 28, 2000.

Solving these problems, then, will enable the Department's systems to remain fully operational on January 1, 2000 — if not sooner.

Not to be overlooked is basic equipment utilized in the Department on a daily basis including desktop and laptop computers, fax machines and remittance processors that get checks to the bank. All of them must be identified and replaced/reprogrammed as part of the Y2K effort.

A Full Plate

As this issue went to press, among its plethora of all-consuming tasks the Y2K Project Team was preparing to install the remediated Integrated Tax System Security Umbrella, followed in late summer by the Centralized Taxpayer Registration system.

This was preceded by installation of phase 1 of the Individual Income Tax remediation, phase 1 of the Alcohol and Tobacco Tax remediation, and a (required) preliminary remediation phase of the integrated tax systems.

"Our goal is for the Department's systems to be operational entering the Year 2000 with minimal, if any, impact upon the general public," said Nancy Styron, a Y2K project manager. "There remains a lot of reprogramming and testing of systems to be accomplished so that the goal of Y2K compliance can be achieved."

An especially important area concerns the Motor Vehicle Division's processing of vehicle tags and titles. The Motor Vehicle Division is modifying the integrated registration and title system as part of its Y2K effort, and the new system will allow Georgia's 159 counties to update a centralized data base online for faster and more accurate registrant service. Currently, many Georgia counties process tag and title registrations using different processing systems. Some use automated systems while others process registrations and titles manually.

The new tag and title system, utilizing the latest user-friendly computer technology, positions the county window service personnel to provide enhanced customer service to vehicle owners since all counties will be querying and updating the same data base. This is slated to be installed and fully functional by Labor Day 1999. Highlights of the system include a comprehensive correspondence module, an end-of-day tag and title fee accounting and reconciliation module, a thorough automated treatment of the ad valorem tax process that is tied to the registration process by statute, and an automated inventory of plates and decals. The process is expected to speed the issuance of a title from several weeks currently, to several days when the system is implemented.

Other computer systems currently in the programming stage of remediation include phase 2 of Individual Income Tax, Corporate Tax, Mail Cash, Centralized Taxpayer Accounting and Alcohol and Tobacco Tax.

Due to tax law changes as a result of the 1998 session of the General Assembly, the Withholding Tax system is in the process of being rewritten. It will be implemented in January 1999 and will be certified as Y2K compliant.

Among the non-ISD supported Y2K projects in the Department are filePro applications within the Central Audit Division and Property Tax Division. Both divisions are funding all hardware purchases from their respective budgets and conducting code remediation and testing utilizing internal staff. Central Audit's remediation is scheduled to be completed in August 1998, and Property Tax is slated to have its applications certified by 1998 year-end.

Taken together, the Department of Revenue, in addition to collection and processing of taxes and associated documents, has a full agenda facing it —on many fronts— over the next 18 months.

EXPLAINING ELOST DISTRIBUTIONS

By JON GALBRAITH

On July 1, 1997, fifty-seven counties began imposing the Educational Local Option Sales Tax (ELOST), at a rate of 1 percent. Since then, additional counties have approved and implemented ELOST which has increased the total to 109 of 159 counties in Georgia.

Based upon the first ten (10) months of distributions from sales and use tax reports filed by dealers and retailers, the Department of Revenue has distributed a total of \$530,696,145.33 to Georgia school boards in ELOST money.

When Educational Local Option Sales Tax is collected, reported, and remitted each month by dealers to the Department, their sales tax returns are verified first for accuracy before the appropriate ELOST amount is then distributed to each Local County and Independent School Board within the county imposing the tax. ELOST's creation has enabled school boards to begin to accomplish specific school construction projects through collection of this 1 percent sales tax. ELOST is mandated —by voter referendum— for either a specified time period not to exceed five (5) years, or to accumulate a maximum dollar amount —the projected cost— for the construction project(s) as outlined in the referendum. By law, once the maximum time has expired, or the projected cost of the project has been collected, whichever occurs first, ELOST ceases immediately at the end of the calendar quarter.

Over the past several months, the Department's Sales and Use Tax Division has received many inquiries from counties, cities, school boards, and the media regarding why monthly ELOST distributions are not always identical to any other 1 percent local county sales tax. There are several reasons why. Historically, local option tax distributions have always differed by as much as 3 to 6 percent. Among the reasons for this variance are timing of collections, audits, delinquent collections, and use tax remittances.

Following is a general explanation about why monthly distribution of two local county sales taxes —one of which is ELOST; both of them imposed at a rate of 1 percent— might differ within the same county:

Established (Mature) Tax vs. New (Immature) Tax: Lag Time

Whenever a new tax type is imposed in a county, a number of dealers will fail to calibrate the applicable rate change into their checkout register. This results in the Department —after subsequently analyzing sales tax returns received— billing the dealer for any under-payment/under-reporting of tax. *Until these dealers' "learning curve" about the new tax results in correct reporting of sales tax collected, ongoing distributions based upon these under-reported (incorrect) amounts will be made to both County and Independent School Boards.* What happens to rectify this situation is that, over time, subsequent distributions will enable a school board's receipts to "catch up" to their proper level as businesses both correctly report sales tax each month, and remit (due to being billed by the Department) any "back tax" that is owed. It is due to these two factors that school boards should begin to receive *higher than expected* disbursements that serve to "catch them up" to the totals that they had been anticipating.

Thus, any "lag" experienced during the first several months of a new tax type becomes corrected as the new tax "ages" and becomes firmly established, i.e., "matures," along with full compliance by dealers.

Delinquent Payments, Audits, Refunds

The collection of tax referencing a delinquent period, or an audit period prior to the effective date of a new tax, also play a major role in understanding the differences in local option sales tax distributions. Here are two cogent examples: 1) New Businesses. Generally, new businesses are not audited during their first three years of operation. Therefore, any under-reporting of tax will be uncovered solely by examination of sales tax reports filed with the Department. In contrast, 2) Established Businesses are subject to audit every three years. This provides the Department with a second mechanism to scrutinize a company's records and subsequently correct any reporting deficiencies that may have already, or are at present still, occurring.

Audits serve another valuable function: They enable the Department to be "proactive" by providing a higher level of both taxpayer education and customer service. This process thus benefits all concerned — businesses filing sales tax, the affected county school boards due to receipt of more accurate monthly distributions, and the Department which can consequently establish a better working relationship with the business being audited. In a positive vein, audits also promote the concept of "self-compliance" by businesses and individuals: filing clean, error-free ST-3 reports may indeed reduce the chance of a return being "flagged," and an audit being conducted by the Department.

Refunds or credits issued to dealers have the same effect on local county distributions by subtracting the local county tax type that applies during the refund period. Claims for refund are submitted for various reasons such as taxpayer filing errors, amended returns due to returned merchandise, purchaser's failure to provide an exemption certificate at the time of purchase, or other reasons (the original tax was erroneously paid to the supplier, for example). All circumstances pertaining to a refund claim are thoroughly reviewed before a refund or credit is issued.

The "good news" that should be gleaned from the preceding is that the Department has compliance mechanisms in place as a "check and balance" to insure correct reporting. Additionally, it also makes every effort each month to inform dealers of tax rate changes. This is accomplished by *including a monthly rate chart in the sales and use tax report form (the "ST-3") that is mailed to every registered sales tax account.* This rate chart is updated timely and thus reflects applicable county rate changes *at least 30 days before the effective date of a new tax type.* Another venue that contains updated, round-the-clock information is the Sales and Use Tax Division's presence on the Department of Revenue's Website. It can be accessed by contacting this address: http://www2.state.ga.us/departments/dor/.

The Concept of "Use"

Sales tax is generally charged at the rate of tax that is applicable at the point of *delivery*. If a sale occurs in a county having a lower rate than the county of use (the final destination where the purchased item is taken), then sales tax —to rectify any difference in the tax rate— will be due in the higher county. Credit is given to the taxpayer for tax already paid in the county with the lower rate.

Crucial to understanding the distribution of sales tax in the preceding example is that any difference in sales tax paid by the consumer to his county of residence ("home county") —which has a higher rate than the county where the item was purchased— is distributed back to his home county by the Department. Equally important, any difference in sales tax distributed based upon an out-of-county purchase is allocated to the appropriate local option tax type in the taxpayer's home county. Here is an example of how this is done: County "A" (the home county) has a 7 percent tax rate that includes three local option tax types — LOST, ELOST and MARTA. County "B" (where the item was purchased) has a 6 percent tax rate that includes LOST and ELOST. In this example, the taxpayer owes his home county (County A) a net difference of 1 percent in sales tax for the purchase. Because County B received its full 6 percent sales tax at the time of sale (4 percent state sales tax, 1 percent LOST, 1 percent ELOST), the 1 percent difference paid to County A *is allocated to its MARTA tax*. The reason is because this is the local option tax type that was *not* paid/credited at the time the sale was consummated; the consumer paid both LOST and ELOST at the time of sale, thus the two corresponding local county tax types "offset" each other. Therefore, allocations to the appropriate local county tax type(s) after any offsets will *always cause a difference in the resulting total distribution to a consumer's home county at the end of the month* whether it affects LOST, HOST, ELOST, SPLOST, or MARTA tax. Simply put, monthly county ELOST distributions, compared to any other 1 percent local option tax type, *will never match dollar-for-dollar.*

Enforcement of sales tax (based upon the concept of "use" of an item) is generally not applied to routine purchases by individuals, *except for purchases of "big ticket" items such as automobiles, boats, and airplanes.* Businesses are required to accrue, report, and remit any underpayment of tax on these types of purchases that the business makes.

Cash vs. Accrual Accounting

Dealers are allowed to report sales and use utilizing either cash-basis or accrual-basis accounting. Cash-basis accounting provides for the reporting of transactions at the time payment is received, not at the time of delivery. When a county's tax rate changes between the time of delivery and the time of payment, the tax rate at the time of delivery will apply. This frequently results in a dealer reporting some of their sales transactions under the "new" rate while reporting other sales transactions under the "old" rate; at the end of that month differences in subsequent tax distributions to counties will, of course, occur.

The accrual method of reporting is based upon when a sale is made — which is not always at the time the dealer receives payment. This reporting method does not create differences in local county tax distributions because the transaction is subject to all local county taxes at the time of sale.

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The Sales and Use Tax Division hopes that the preceding explanation will help to clarify any misconceptions concerning the collection and distribution of the Educational Local Option Sales Tax. Anyone having questions is invited to call either their nearest Regional Office or DOR Headquarters in Atlanta at (404) 656-4060.

TAXPAYER AWARENESS SEMINARS

Following below is a list of the remaining 1998 Taxpayer Awareness Seminars conducted annually by the Department of Revenue's Sales and Use Tax Division. Conducted free of charge, advance confirmation of attendance is required. Over the years, the seminars have proven both an effective, and popular, method of educating the public about general sales and use tax law, local taxes, audit preparation, and other topical areas of interest.

Taxpayers requiring further information, or who wish to register to attend a specific seminar, are invited to call the DOR's Sales and Use Tax Division in Atlanta at (404) 656-4060. The remaining schedule:

September 24: Columbus State University, Auditorium, Columbus; 8:30 a.m.-4:30 p.m.

October 22: Gainesville College, Auditorium, Gainesville; 8:30 a.m.-4:30 p.m.

November 13: Russell Research Center, Auditorium, 950 College Station Road, Athens; 9 a.m.-5 p.m.

December 8-9: North Fulton Government Service Center, 7741 Roswell Road, Sandy Springs; 8:30 a.m.-4:30 p.m.

SALES & USE TAX 'Q & A'

Since the debut of the new Sales and Use Tax Report Form (the "ST-3") last summer, the DOR's Sales and Use Tax Division has conducted over 100 taxpayer seminars and workshops to educate the public about its implementation. The Division has also produced a popular thirty-minute video —available free of charge— that contains three problem-solving examples. Along with asking questions at Sales Tax seminars, taxpayers have also called seeking help over the phone to solve a variety of questions and problems concerning the ST-3.

Following below is a compilation of commonly asked questions by ST-3 filers. The Sales and Use Tax Division hopes that the answers to these questions will lead to easier preparation of your ST-3. While arithmetical mistakes do occur from time to time, the Division's goal is for every filer's preparation time when filling out an ST-3 to decrease with each succeeding month. That should translate into cleaner, error-free returns, and less frustration and questions from you — our customers. If the Division can be of further assistance, please do not hesitate to call the Atlanta headquarters at (404) 656-4060 from 8 a.m.-4:45 p.m., Monday through Friday, or your nearest DOR Regional Office.

1. Is a sales and use tax report form *always required to be filed* when a business does not have any sales or use to report? Yes — it is always required, in every case. The sales and use tax report form is required to be filed regardless of whether or not any sales or use tax activity took place in the preceding tax period (monthly or quarterly). All taxpayers are required to file reports monthly, unless permission is received from the Department's Sales and Use Tax Division to file on a different reporting basis.

2. Are freight charges that are part of a retail sale subject to sales tax? Freight charges are taxable unless the delivery is arranged by the seller as agent for the purchaser. Also, the charge must be separately stated, be prepaid by the seller, and the terms of the delivery be FOB shipping point.

3. What tax rate should a dealer charge on a taxable sale? Dealers are responsible for charging the rate of tax applicable to the county where the purchaser takes possession and/or title to the property. Normally, this occurs where the purchaser takes delivery of the product.

4. Are churches exempt from Georgia sales and use tax? No. Georgia does not grant a sales or use tax exemption to churches or other nonprofit organizations. Churches are, however, exempt from sales and use taxes for purchases of bibles, testaments, and other similar books recognized as Holy Scripture.

5. If my nonprofit organization holds an exemption certificate in another state, will Georgia honor it and exempt it from Georgia sales tax? No. Georgia does not recognize an exemption certificate issued by another state to a nonprofit organization.

6. Are sales of maintenance agreements subject to Georgia sales and use tax? No. Charges for maintenance agreements or extended warranties, when stated separately on an invoice, are not subject to Georgia sales and use tax. The service provider is considered the end consumer of any tangible personal property used in maintenance or repair. If the agreement provides for a charge to the customer for parts, this charge is subject to sales tax as would be any other retail sale.

7. Is computer software subject to Georgia sales and use tax? Georgia sales and use tax applies to pre-written software. This can be either "canned" software (in a standardized format that can be used by the general public — basic "word processing software," for example) or "modified" software (standardized in a precise format that can be used to perform a specific task or function). An example of modified software would be tax preparation software: it is both prewritten and modified so either a taxpayer, or tax practitioner, can use it to prepare tax returns.

Sales and use tax does not apply to software written for, or tailored to, an individual customer's specific needs or requirements. The appropriate term for this kind of software would be "customized" software.

8. Is food exempt from Georgia sales and use tax? The sale or use of food for "off-premises" human consumption, as defined by the federal Food Stamp Act, has become gradually exempt from the 4 percent Georgia state sales tax. (On October 1, 1998, it will become fully exempt.) The federal Food Stamp Act defines food as a staple food product for "home consumption" (meat, poultry, bread, milk, candy, canned soft drinks, etc.). It does not include alcoholic beverages, tobacco products, items sold hot or intended to be heated at a store, immediate consumption of products (fountain drinks), vitamins, and minerals. The food exemption does not include sales made through vending machines, or plants that grow food (tomato plants, for example). Retail dealers are required to maintain adequate records of all sales of eligible food and beverage.

9. What is the current tax rate charged on the sale of eligible food for "off-premises" consumption? The applicable rate of tax on eligible food is 4 percent in a 7 percent county (except for DeKalb County), 3 percent in a 6 percent county and DeKalb County, 2 percent in a 5 percent county, and 1 percent in a 4 percent county. On October 1, 1998, the rate of tax will be further reduced by 1 percent, thus eliminating all State sales tax from sales of eligible food and beverage.

Food sold for "on-premises" or *immediate* consumption, hot foods, alcoholic beverages and sales through vending machines are subject to the general rate of tax in a county.

10. Will the eligible food and beverage exemption apply to local county taxes? The food exemption will apply only to the following local county taxes on the specific dates for any Local Option Tax imposed after October 1, 1996. Effective July 1, 1997, this exemption applied to the Homestead Local Option Tax (HOST) imposed in DeKalb County. Effective October 1, 1998, the exemption will apply to the Local Option Tax in Taliaferro County.

11. Are labor charges subject to Georgia sales and use tax? Charges for *installation* and *repair* labor, when stated separately on an invoice, are not subject to Georgia sales and use tax. Repair labor means labor needed to restore an item to working condition. Installation labor means labor needed to install tangible personal property.

Fabrication labor, however, is subject to Georgia sales and use tax regardless of how the charge is stated on the invoice. Fabrication labor is labor required to produce an article from stock or custom materials into a new article with a new form, quality or property. This includes the cutting, carving, or shaping of a stock or custom article when a new article is created. Some examples of fabrication labor are the creation of curtains or window treatments from cloth, the creation of a dress or suit from cloth, or the manufacture of cabinets or counter tops from wood or other products.

12. Is it true that the Department is offering a free sales and use tax training video? How can someone obtain a copy? Yes, it is. Simply call your nearest DOR Regional Office or, in the Metro Atlanta area, (404) 657-7073 to order the video. It contains three problem-solving examples along with a sales and use tax instruction workbook, and lasts approximately thirty minutes.

13. If I need to make changes or corrections to my sales and use tax registration certificate, is there a number that I can call to accomplish this over the telephone? Yes, there is. Please contact the DOR's Centralized Taxpayer Registration Unit at (404) 651-8651. They will be pleased to make any and all needed changes to your sales tax registration information.

ALCOHOL COMPLAINT LINE

ATLANTA—In a move designed to bolster the effectiveness of its Underage Alcohol Investigation Task Force, the Department of Revenue has implemented a toll-free complaint line. DOR Commissioner T. Jerry Jackson has announced.

Available twenty-four hours a day, the toll-free complaint line —1-877-CHECK-ID— is designed to facilitate the reporting of alcohol sales to underage persons and related violations.

"Under the auspices of our Alcohol and Tobacco Division, we regularly conduct underage investigations to reduce underage drinking and related DUI violations by underage persons," Commissioner Jackson said. "This toll-free complaint line comprises another effective tool in our arsenal to convey an important message: Underage alcohol violations, of any kind, will be strictly enforced by this Department."

In conjuction with its underage compliance and monitoring activities, the Alcohol and Tobacco Division will conduct several large-scale underage alcohol operations throughout Georgia over the next several months. The investigations will utilize underage undercover operatives and are being conducted in response to complaints received by the Department and local law enforcement agencies, and requests for assistance from local agencies.

Along with the toll-free complaint line, taxpayers can also report underage alcohol violations by accessing the Division's webpage at www2.state.ga.us/departments/dor/alcohol or contacting the Division by e-mail at atdiv@rev.state.ga.us.

MANAGED AUDITS REAP $$

(Continued from page 2)

accounting operations and procedures. In addition, the Department agrees to waiver of penalty upon payment of tax and interest.

The Department benefits from the managed audit because the process educates the taxpayer and increases future compliance, overall compliance is increased due to the cumulative audit hours saved and other efficiencies, the process enhances the tax specialists' organizational and communications skills, a working relationship is established with the taxpayer thus increasing the Department's efforts at customer service, and the audit is concluded quickly without delays, appeals, or litigation.

The Central Audit Division has thus far been pleasantly surprised by the success of the program and the interest exhibited. Although tailored to small to medium-sized companies, several large companies have also expressed interest in the managed audit program. The Division is always pleased to discuss it with any interested taxpayer, although it reserves the right to limit agreements to those taxpayers who have the personnel and resources to conduct the managed audit thoroughly.

To date, the Division has signed 22 agreements and completed 12. The results of the completed agreements have been impressive: net collections of $459,592; an average return per hour of $2,802; a total time savings of 337 hours referencing the 8 audits having a previous audit history; and an average time reduction of 72.6 percent. As a result of its demonstrated success, the Division plans to make the managed audit program a regular part of its already comprehensive audit function, with the goal for it to become the "norm" rather than the exception. Any taxpayer desiring additional information or who would like to discuss the managed audit program in greater detail, is invited to contact Ed Many, Director, Central Audit Division, at 404-651-5417.